

# QUARTERLY REPORT

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

For The Quarter Ended September 30, 2001

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

# BALANCE SHEETS

SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and cash equivalents.....	\$ 18,505	\$ 18,646
2	Short-term investments.....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2001, \$ 10,511 ; 2000, \$ 6,047 )..... NOTE 2.....	11,590	13,858
4	Inventories.....	1,660	1,815
5	Prepaid expenses and other current assets.....	2,119	2,061
6	Total current assets.....	33,874	36,380
7	Investments, Advances, and Receivables..... NOTE 3.....	10,167	8,488
8	Property And Equipment - Gross..... NOTE 4.....	533,746	520,010
9	Less: Accumulated Depreciation/Amortization..... NOTES 1 & 4..	(226,406)	(208,091)
10	Property And Equipment - Net.....	307,340	311,919
11	Other Assets..... NOTES 1 & 5..	77,764	85,943
12	Total Assets.....	\$ 429,145	\$ 442,730
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts payable.....	\$ 3,208	\$ 6,313
14	Notes payable.....	-	-
	Current portion of long-term debt.....		
15	Due to affiliates.....	-	-
16	Other.....	-	-
17	Income taxes payable and accrued.....	-	-
18	Other accrued expenses..... NOTE 6.....	20,435	22,220
19	Other current liabilities..... NOTE 7.....	8,247	6,665
20	Total current liabilities.....	31,890	35,198
	Long-Term Debt:		
21	Due to affiliates..... NOTE 8.....	200,000	200,000
22	Other.....	-	-
23	Deferred Credits.....	-	-
24	Other Liabilities..... NOTE 9.....	143,812	162,250
25	Commitments And Contingencies..... NOTE 1.....	-	-
26	Total Liabilities.....	375,702	397,448
27	Stockholders', Partners', or Proprietor's Equity..... NOTE 10.....	53,443	45,282
28	Total Liabilities And Equity.....	\$ 429,145	\$ 442,730

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 and 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	Revenues:		
1	Casino. ....	\$ 243,609	\$ 241,568 *
2	Rooms. ....	18,840	19,426
3	Food and beverage. ....	31,789	31,228
4	Other. ....	8,506	6,822
5	Total Revenues. ....	302,744	299,044
6	Less: Promotional allowances. ....	36,036	35,201
7	Net Revenues. ....	266,708	263,843
	Costs And Expenses:		
8	Cost of goods and services. ....	137,666	132,930 *
9	Selling, general, and administrative. ....	70,648	67,921 *
10	Provision for doubtful accounts. ....	1,512	2,198
11	Total Costs and Expenses. ....	209,826	203,049
12	Gross Operating Profit. ....	56,882	60,794
13	Depreciation and Amortization. ....	17,157	16,864
	Charges from affiliates other than interest:		
14	Management fees. .... NOTE 11. ....	8,003	8,208
15	Other. ....	-	-
16	Income (Loss) From Operations. ....	31,722	35,722
	Other Income (Expenses):		
17	Interest (expense)-affiliates. ....	(13,469)	(13,445)
18	Interest (expense)-external. ....	-	-
19	Investment alternative tax and related income (expense) - net. ....	(1,281)	(1,068)
20	Nonoperating income (expense) - net. .... NOTE 12. ....	(30)	321
21	Total Other Income (Expenses). ....	(14,780)	(14,192)
22	Income (Loss) Before Income Taxes And Extraordinary Items. ....	16,942	21,530
23	Provision (credit) for income taxes. ....	6,994	9,174
24	Income (Loss) Before Extraordinary Items. ....	9,948	12,356
25	Extraordinary items (net of income taxes - 20__, \$ ) . ....	-	-
26	Net Income (Loss). ....	\$ 9,948	\$ 12,356

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

\*Restated to conform to the 2001 presentation.

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 and 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	Revenues:		
1	Casino. ....	\$ 83,649	\$ 83,842 *
2	Rooms. ....	7,200	7,592
3	Food and beverage. ....	11,653	11,654
4	Other. ....	3,450	2,929
5	Total Revenues. ....	105,952	106,017
6	Less: Promotional allowances. ....	13,340	13,372
7	Net Revenues. ....	92,612	92,645
	Costs And Expenses:		
8	Cost of goods and services. ....	46,774	45,542 *
9	Selling, general, and administrative. ....	21,708	22,264 *
10	Provision for doubtful accounts. ....	582	581
11	Total Costs and Expenses. ....	69,064	68,387
12	Gross Operating Profit. ....	23,548	24,258
13	Depreciation and Amortization. ....	5,820	5,547
	Charges from affiliates other than interest:		
14	Management fees. .... NOTE 11. ....	2,778	2,953
15	Other. ....	-	-
16	Income (Loss) From Operations. ....	14,950	15,758
	Other Income (Expenses):		
17	Interest (expense)-affiliates. ....	(4,488)	(4,469)
18	Interest (expense)-external. ....	-	-
19	Investment alternative tax and related income (expense) - net. ....	(451)	(350)
20	Nonoperating income (expense) - net. .... NOTE 12. ....	(96)	100
21	Total Other Income (Expenses). ....	(5,035)	(4,719)
22	Income (Loss) Before Income Taxes And Extraordinary Items. ....	9,915	11,039
23	Provision (credit) for income taxes. ....	4,050	4,889
24	Income (Loss) Before Extraordinary Items. ....	5,865	6,150
25	Extraordinary items (net of income taxes - 20__, \$ ) . ....	-	-
26	Net Income (Loss). ....	\$ 5,865	\$ 6,150

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

\*Restated to conform to the 2001 presentation.

TRADING NAME OF LICENSEE: GNOC, Corp.. (Atlantic City Hilton)

## STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2000 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated) (Deficit) (i)	Total Shareholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 1999.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (90,525)	\$ 32,926
2	Net Income (Loss) - 2000.....							10,569	10,569
3	Contribution to Paid-in Capital.....								
4	Dividends.....								
5	Prior Period Adjustments.....								
6									0
7									
8									
9									
10	Balance, December 31, 2000.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (79,956)	\$ 43,495
11	Net Income (Loss) - 2001.....							9,948	9,948
12	Contribution to Paid-in Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15									
16									
17									
18									
19	Balance, September 30, 2001.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (70,008)	\$ 53,443

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENT OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2000 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

## NOT APPLICABLE

Line (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 1999. . . .				
2	Net Income (Loss) - 2000. . . . .				
3	Capital Contributions. . . . .				
4	Capital Withdrawals. . . . .				
5	Partnership Distributions. . . . .				
6	Prior Period Adjustments. . . . .				
7					
8					
9					
10	Balance, December 31, 2000. . . .				
11	Net Income (Loss) - 2001. . . . .				
12	Capital Contributions. . . . .				
13	Capital Withdrawals. . . . .				
14	Partnership Distributions. . . . .				
15	Prior Period Adjustments. . . . .				
16					
17					
18					
19	Balance, September 30, 2001. . . .				

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 and 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
1	Net Cash Provided (Used) By Operating Activities.....	\$ 25,728	\$ 42,510
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....	-	-
3	Proceeds from the sale of short-term investment securities.....	-	-
4	Cash outflows for property and equipment.....	(12,923)	(8,034)
5	Proceeds from disposition of property and equipment.....	264	24
6	Purchase of casino reinvestment obligations.....	(2,749)	(1,278)
7	Purchase of other investments and loans/advances made.....	-	-
8	Proceeds from disposal of investment and collection of advances and long-term receivables.....	-	-
9	Cash outflows to acquire business entities.....	-	-
10	Increase in construction - related liabilities.....	-	-
11		-	-
12	Net Cash Provided (Used) By Investing Activities.....	(15,408)	(9,288)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	-	-
14	Payments to settle short-term debt.....	-	-
15	Cash proceeds from issuance of long-term debt.....	-	-
16	Costs of issuing debt.....	-	-
17	Payments to settle long-term debt.....	-	-
18	Cash proceeds from issuing stock or capital contribution.....	-	-
19	Purchases of treasury stock.....	-	-
20	Payments of dividends or capital withdrawals.....	-	-
21	Change in payable to affiliate.....	(14,311)	(36,023)
22	Debt retirement costs.....	-	-
23	Net Cash Provided (Used) By Financing Activities.....	(14,311)	(36,023)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(3,991)	(2,801)
25	Cash And Cash Equivalents At Beginning Of Year.....	22,496	21,447
26	Cash And Cash Equivalents At End Of Year.....	\$ 18,505	\$ 18,646

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized).....	\$ 13,469	\$ 13,445
28	Income taxes paid (refunded) - net.....	\$ 6,994	\$ 9,174

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 and 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	Net Cash Flows From Operating Activities:		
29	Net income (loss) . . . . .	\$ 9,948	\$ 12,356
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment. . . . .	14,867	14,574
31	Amortization of other assets. . . . .	2,290	2,290
32	Amortization of debt discount or premium. . . . .	-	-
33	Deferred income taxes - current. . . . .	-	-
34	Deferred income taxes - noncurrent. . . . .	-	-
35	(Gain) loss on disposition of property and equipment. . . . .	320	(4)
36	(Gain) loss on casino reinvestment obligations. . . . .	1,281	1,068
37	(Gain) loss from other investment activities. . . . .	-	-
38	Net (increase) decrease in receivables and patrons' checks. . . . .	(1,377)	6,029
39	Net (increase) decrease in inventories. . . . .	276	734
40	Net (increase) decrease in other current assets. . . . .	219	(49)
41	Net (increase) decrease in other assets. . . . .	(162)	(1,487)
42	Net increase (decrease) in accounts payables. . . . .	(4,211)	(94)
43	Net increase (decrease) in other current liabilities excluding debt. . . . .	2,460	6,701
44	Net increase (decrease) in other noncurrent liabilities excluding debt. . . . .	(183)	392
45	Loss on extinguishment of debt, net of tax benefit of \$. . . . .	-	-
46	Amortization of CRDA assets . . . . .	-	-
47	Net Cash Provided (Used) By Operating Activities. . . . .	\$ 25,728	\$ 42,510

## SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment. . . . .	\$ 12,923	\$ 8,034
49	Less: Capital lease obligations incurred. . . . .	-	-
50	Cash Outflows For Property And Equipment. . . . .	\$ 12,923	\$ 8,034
	Acquisition Of Business Entities:		
51	Property and equipment acquired. . . . .	\$ -	\$ -
52	Goodwill acquired. . . . .	-	-
53	Net assets acquired other than cash, goodwill, and property and equipment. . . . .	-	-
54	Long-term debt assumed. . . . .	-	-
55	Issuance of stock or capital invested. . . . .	-	-
56	Cash Outflows To Acquire Business Entities. . . . .	\$ -	\$ -
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions. . . . .	\$ -	\$ -
58	Less: Issuances to settle long-term debt. . . . .	-	-
59	Consideration in acquisition of business entities. . . . .	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions. . . . .	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	95.921	\$ 4.428		\$
2	Food	414.915	5.205		
3	Beverage	1,035.549	2.692		
4	Travel			16.174	653
5	Bus Program Cash			211.274	3,038
6	Other Cash Complimentaries			226.012	8,631
7	Entertainment	13,160	459	1,930	241
8	Retail & Non-Cash Gifts	5,293	409	11,350	266
9	Parking				
10	Other *	8,997	147	63,052	602
11	Total	1,573.835	\$ 13,340	529.792	\$ 13,431

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	272.640	\$ 11,739		\$
2	Food	1,151.674	14,522		
3	Beverage	2,730.882	7,100		
4	Travel			45,217	2,109
5	Bus Program Cash			618,083	9,893
6	Other Cash Complimentaries			572,316	28,711
7	Entertainment	35,424	1,181	4,412	551
8	Retail & Non-Cash Gifts	15,507	1,149	32,822	794
9	Parking				
10	Other *	17,616	345	179,459	1,479
11	Total	4,223.743	\$ 36,036	1,452,309	\$ 43,537

\* No item in this category exceeds 5%.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

The accompanying financial statements include the accounts of GNOC, Corp., a New Jersey corporation (the "Company"). The Company is a wholly owned subsidiary of Bally's Park Place, Inc., which owns and operates the casino hotel resort in Atlantic City, New Jersey known as Bally's Atlantic City ("Bally's Atlantic City"), which is a wholly owned subsidiary of Park Place Entertainment Corporation ("PPE"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as the "Atlantic City Hilton." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Report for the year ended December 31, 2000.

All adjustments have been recorded which are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at September 30, 2001 and 2000, and its statements of income for the three and nine months ended September 30, 2001 and 2000 and its statements of cash flows for the nine months ended September 30, 2001 and 2000. All such adjustments were of a normal recurring nature.

**Seasonal factors**

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the nine months ended September 30, 2001 and 2000 are not necessarily indicative of the results of operations for the full year.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

**Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The statement of income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Reclassifications**

The financial statements for the prior year reflect certain reclassifications to conform with classifications adopted in 2001. These reclassifications had no impact on previously reported net income.

**Inventories**

Inventories are stated at the lower of cost (weighted average cost method) or market, which approximates replacement cost.

**Property and equipment**

Depreciation of property and equipment is provided on the straight-line method over the estimated economic lives of the related assets. Depreciation expense was \$5,057 and \$4,784 for the three months ended September 30, 2001 and 2000, respectively, and \$14,867 and \$14,574 for the nine months ended September 30, 2001 and 2000, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

**Costs in excess of acquired assets**

In 1987, Bally Entertainment Corporation (formerly the parent of the Company) acquired the Company, other related properties and real estate leases in a transaction which was accounted for as a purchase. The excess of the total acquisition cost and debt assumed over the fair value of net assets acquired (goodwill) is being amortized on the straight-line method over forty years (see also "New Accounting Standards" below).

**Long-lived assets**

The provisions of Statement of Financial Accounting Standard No. 121 "Accounting for the Impairment of Long-Lived Assets," require, among other things, that an entity review its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company does not believe that any such changes have occurred.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Fair values of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at September 30, 2001 and 2000.

**Income taxes**

Taxable income or loss of the Company is included in the consolidated federal income tax return of PPE. The Company provides for income taxes by applying the respective state and federal statutory rates to the results of operations. The corresponding liability or receivable is credited or charged to PPE. Deferred income tax assets and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by PPE.

**Casino Reinvestment Development Authority**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

**Allocations and transactions with related parties**

The Company transfers cash in excess of its operating needs to PPE on a daily basis. PPE provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other PPE affiliates are consolidated, including limousine services, legal services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable. In addition, the Company leases land from Bally's Atlantic City.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Advertising and Marketing Fee**

Hilton Hotels Corporation charges the Company for certain hotel reservation services, and advertising and marketing support in accordance with the fees established for participation in Hilton Reservations Worldwide and the Hilton HHonors Programs, as well as a national and regional group advertising and sales promotions services fee equal to 1% of net room revenues.

**New Accounting Standards**

Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), is effective for all fiscal years beginning after June 15, 2000. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company adopted SFAS 133 January 1, 2001. The adoption of SFAS 133 did not have a significant impact on the financial position, results of operations, or cash flows of the Company.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, calendar year companies would be required to adopt SFAS 142 effective January 2002.

The Company is currently reviewing this standard to determine the impact of adoption on accounting and financial reporting practices related to previous business combinations and the goodwill recorded. During the nine months ended September 30, 2001, the Company recorded \$2,290 in goodwill amortization, which under the new standards may cease effective January 2002. The Company is evaluating goodwill for separable intangibles with finite lives that will continue to be amortized under SFAS 142.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 2 – RECEIVABLES AND PATRONS’ CHECKS**

Receivables and patrons’ checks as of September 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Casino receivables (net of allowance for doubtful accounts – 2001, \$10,335; 2000, \$5,851)	\$ 6,988	\$ 10,288
Other (net of allowance for doubtful accounts – 2001, \$176; 2000, \$196)	1,862	2,019
Due from affiliates	<u>2,740</u>	<u>1,551</u>
	<u>\$11,590</u>	<u>\$ 13,858</u>

**NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, advances and receivables as of September 30, 2001 and 2000 consist of funds invested with the CRDA, net of related valuation reserves of \$5,536 and \$4,584 at September 30, 2001 and 2000, respectively.

The Company, Bally’s Atlantic City and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and Bally’s Atlantic City, resulting in a long-term payable to Bally’s Atlantic City (See Note 9). The investment agreement provides an investment plan for the use of certain current and future CRDA funds. These agreements have accelerated the funding of credits due the Company under the aforementioned credit agreement.

**GNOG, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of September 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Land	\$ 66,655	\$ 66,655
Buildings and improvements	308,048	301,523
Furniture, fixtures and equipment	152,422	150,410
Construction in progress	<u>6,621</u>	<u>1,422</u>
	533,746	520,010
Less accumulated depreciation and amortization	<u>(226,406)</u>	<u>(208,091)</u>
	<u>\$ 307,340</u>	<u>\$ 311,919</u>

**NOTE 5 - OTHER ASSETS**

Other assets as of September 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Cost in excess of acquired assets, less accumulated amortization of \$43,873 and \$40,820	\$ 77,602	\$ 80,655
Other	<u>162</u>	<u>5,288</u>
	<u>\$ 77,764</u>	<u>\$ 85,943</u>

**NOTE 6 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of September 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Accrued payroll and benefits	\$ 9,550	\$11,233
Insurance claims	4,492	3,725
Other	<u>6,393</u>	<u>7,262</u>
	<u>\$20,435</u>	<u>\$22,220</u>

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 7 - OTHER CURRENT LIABILITIES**

Other current liabilities as of September 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Due to Bally's Atlantic City	\$ 1,465	\$ 534
Due to Atlantic City Country Club, Inc.	379	579
Due to affiliates-other	2,043	769
Unredeemed slot promotions liability	2,559	2,546
Unredeemed chip and token liability	594	1,602
Other	<u>1,207</u>	<u>635</u>
	<u>\$ 8,247</u>	<u>\$ 6,665</u>

**NOTE 8 - LONG-TERM DEBT - DUE TO AFFILIATES**

Long-term debt - due to affiliates as of September 30 consist of the following:

	<u>2001</u>	<u>2000</u>
9% Note payable to Park Place Finance Corporation due January 1, 2009	<u>\$200,000</u>	<u>\$200,000</u>

In January 1999, the Company declared a \$200,000 distribution payable in the form of a note payable to Bally's Atlantic City. Bally's Atlantic City then immediately assigned the \$200,000 note payable to PPE. On July 1, 2000, PPE assigned the \$200,000 note payable to Park Place Finance Corporation. The note payable bears interest at a rate of 9% per annum, payable on the last business day of each quarter.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 9 - OTHER LIABILITIES**

Other liabilities as of September 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Due to PPE	\$142,944	\$155,576
Due to Bally's Atlantic City (See Note 3)	868	1,386
Retirement plan	<u>-</u>	<u>5,288</u>
	<u>\$143,812</u>	<u>\$162,250</u>

Due to PPE consists of an unsecured, non-interest bearing intercompany account.

**NOTE 10 - STOCKHOLDER'S EQUITY**

At September 30, 2001 and 2000, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,510 were issued and outstanding.

**NOTE 11 - CHARGES FROM AFFILIATES - MANAGEMENT FEE**

The Company and PPE have entered into an administrative services and management agreement. Under the agreement, PPE provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration of the performance of these duties, the Company pays PPE a monthly management fee equal to three percent of revenues (net of complimentary services).

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended September 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Interest income	\$ 89	\$ 88
Gain (loss) on disposal of equipment	<u>(185)</u>	<u>12</u>
	<u>\$ (96)</u>	<u>\$ 100</u>

Nonoperating income (expense) for the nine months ended September 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Interest income	\$ 290	\$ 317
Gain (loss) on disposal of equipment	<u>(320)</u>	<u>4</u>
	<u>\$ (30)</u>	<u>\$ 321</u>

## STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



\_\_\_\_\_  
Signature

Assistant Vice President/Controller  
Title

006243-11  
License Number

On Behalf of:

GNOC, Corp. (Atlantic City Hilton)  
Casino License